



August 11, 2006

Mary F. Rupp  
Secretary of the Board  
National Credit Union Administration  
1775 Duke Street  
Alexandria, VA 22314

RE: Comments on Part 740; Official Sign and Insured Status

Dear Ms. Rupp:

On behalf of the National Association of Federal Credit Unions (NAFCU), the only trade association that exclusively represents the interests of our nation's federal credit unions (FCUs), I am responding to the National Credit Union Administration's (NCUA) request for comment regarding proposed amendments to its official sign indicating insured status. The amendments reflect recent share insurance increases and a new requirement to include a statement that NCUA-insured share accounts are backed by the full faith and credit of the United States Government. The proposed amendments are necessary to comply with the Federal Deposit Insurance Reform Act of 2005 (Reform Act) and the Federal Deposit Insurance Reform Conforming Amendments Act of 2005 (Conforming Amendments Act). NAFCU welcomes NCUA's proposal and believes that these Congressionally mandated amendments benefit Americans and will in some measure foster additional savings.

NCUA's proposal would amend §740.4 that governs the content and physical appearance of the official sign and dictates where insured credit unions must display the sign. Specifically, the proposal would amend §740.4(b) by revising the depiction of the official sign to reflect that an account holder's savings are insured "to at least \$100,000" and that are "backed by the full faith and credit of the United States Government." In addition, the proposal would add new paragraph (f) to this section, which would subject an insured credit union that is in violation of the statutory or regulatory requirements to a \$100 per day fine. NCUA's proposal would also amend §740.5(c)(11) by removing the phrase "of \$100,000" and adding in its place "insurance amount." In effect, this amendment would require that advertisements which contain statements that the credit union is insured by the NCUA, or that its accounts and shares or members are insured by NCUA now use the generic phrase "insurance amount" rather than a specific amount.

While NAFCU generally supports the proposal, our members are greatly concerned about NCUA's proposed plan for implementation, specifically the time-frame for compliance. In its

proposal, NCUA has requested comment on whether a compliance date of 60 days after receiving the signs from NCUA would be a reasonable period for credit unions to come into compliance. In response, NAFCU believes that 60 days is an insufficient amount of time to comply with all the proposed requirements, especially with regard to advertisements, and suggests that more time be granted both to implement use of the new signs and for the introduction of new compliant advertising and marketing materials.

There are several reasons for our belief that 60 days will not afford enough time for credit unions to comply with the proposed rules and they can be broken down into those that apply to the official sign and those that apply to advertisements.

### **Official Signs**

NCUA's proposal states that the agency will provide all insured credit unions with an initial supply of the revised official sign at no cost to the credit unions and will make a downloadable graphic available on the agency's Web site for credit unions to use on their Web sites. Information about how and when they will receive their initial supply of revised official signs will be conveyed in the final rule and in a Letter to Credit Unions. These will also set a compliance deadline for credit unions to display the signs – possibly 60 days.

While 60 days may be sufficient time to post the new signs in some locations, it will not be for all. Updating in-branch signage, credit union Web sites and teller window signs will take relatively less time, but other updates such as custom signage that is part of a credit union's architecture or interior structure will take additional time. Other delays may occur at those credit unions with overseas branches which may experience unavoidable delays due to issues with transportation and installation.

Furthermore, while NCUA has stated that it will provide credit unions with an initial supply of the revised official sign, it is not clear how many copies a credit union will receive. This uncertainty will make it difficult for credit unions to develop implementation plans and to either request additional copies from NCUA or to order and then await delivery of them from a vendor. Delays are the likely result, especially since credit unions will have to wait until delivery of the initial supply to determine what additional needs they may have. Delays at this point will pose an acute compliance challenge since the proposed 60-day compliance deadline begins to toll upon receipt of the revised signs. While existing §740.4(b)(1) states that credit unions will not be in violation of the regulation if they immediately request additional copies from NCUA, an extended compliance deadline would avoid potential confusion and allow credit unions to accurately determine their needs and then comply with the requirements.

### **Advertising**

Credit union marketing materials are either required to or often voluntarily carry the official sign and the required advertising statement. Therefore, NCUA's proposal will have a significant impact on credit union advertisements as both the official sign and the language in the advertising statement would be amended under the proposal. Compliance would require credit

unions to either modify existing materials or purchase newly created materials with the revised official sign and advertising statement. Either way, NAFCU believes that compliance with the proposal regarding advertisements and marketing materials will impose a significant burden on all credit unions, in particular, credit unions that have limited resources.

NAFCU members have indicated that credit unions employ a host of printed materials and other media to inform members about the insured status of their accounts, even going beyond the disclosure requirements imposed by regulation. For example, the sign and statement appear on print advertisements, brochures, pamphlets, tent cards, billboards, newsletters and letterheads, among other items. NAFCU members have indicated that design and replacement costs for existing materials could be as much as \$10,000 to \$500,000. These figures, however, only represent replacement costs and do not include the sunk costs associated with disposing of existing marketing materials. Some credit unions will even need to revise outdoor billboards at a cost of \$10,000 per billboard. Furthermore, additional costs will be borne in the form of staff hours expended to identify, locate, collect and dispose of the existing materials.

While some of these costs are unavoidable, for example, those associated with the purchase of updated materials, the impact of the revised regulations could be mitigated by a longer implementation period. A longer period would permit credit unions to deplete existing stocks of marketing materials over time rather than have to bear the brunt of complete replacement costs upfront. Delaying the implementation deadline would also permit credit unions to spread out the replacement costs over a longer fiscal period and avoid the possibility of weakened net worth.

For these reasons, NAFCU does not support a 60 day compliance deadline. Instead, NAFCU strongly urges NCUA to set a compliance deadline of no earlier than 180 days after receipt of the initial supply of revised official signs.

NAFCU would like to thank you for this opportunity to share its views on these proposed amendments to the agency's official sign. Should you have any questions or require additional information please call me or Pamela Yu, NAFCU's Associate Director of Regulatory Affairs, at (703) 522-4770 or (800) 336-4644 ext. 218.

Sincerely,



Fred R. Becker, Jr.  
President/CEO

FRB/whh/pwy